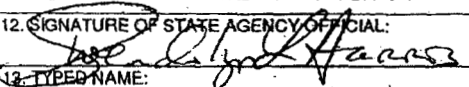
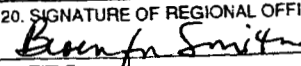


TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: <u>03-01 (MA)</u>	2. STATE: New Jersey
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE January 1, 2003	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 U.S.C. 1396a(a)(13)		7. FEDERAL BUDGET IMPACT: a. FFY 2003 \$750,000 b. FFY 2004 \$1,000,000	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D, pages 120, 121 and 122		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-D, pages 120, 121, 121.1, 121.2 and 122	
10. SUBJECT OF AMENDMENT: Target Occupancy Rates; Uniform Reimbursement			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Exempt, pursuant to 7.4 of the Plan <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Division of Medical Assistance and Health Services P.O. Box 712, #26 Trenton, NJ 08625-0712	
12. TYPED NAME: Gwendolyn L. Harris			
14. TITLE:			
15. DATE SUBMITTED: 3/28/03			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 3/31/03		18. DATE APPROVED: 4/9/03	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 1/1/03		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Charlene Brown		22. TITLE: Deputy Director, CMSO	
23. REMARKS:			

2. Mathematical techniques will be applied to this data to develop formulas describing the normal relationships between property insurance costs and appraised values and estimated replacement costs. Separate formulas will be developed for urban and non urban NFs.
3. The procedures described in 3.14 will be used to eliminate extremes and to develop the formula to be used to calculate the reasonableness limit for property insurance, except for the calculation of Class III limits.
4. Each NF's reasonableness limit per reasonable plant square foot will be developed by applying this formula to its particular factors and incrementing the result by 10 percent. No allowance will be provided for plant square feet considered unreasonable per 3.7(a)1. and 2.

3.16 Target occupancy levels

(a) A target occupancy level of 95 percent of licensed bed-days (excluding quiet beds) will be used to develop the reasonable per diem amounts for the following rate components:

1. Property taxes;
2. Utilities;
3. Special amortization;

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4. CFA for:

- i. Buildings and building equipment;
- ii. Land and land improvements;
- iii. Moveable equipment;
- iv. Maintenance and replacements;
- v. Property insurance; and

5. Effective July 1, 1996, actual NF expenses for depreciation, rental, interest and amortization in accordance with 3.10(c).

(b) For Class III NFs, if the base period Medicaid occupancy is 80 percent or greater, the target occupancy for the rate components in (a) above will be 90 percent.

(c) For rates implemented on or after January 1, 2003, target occupancy for the General Services, Nursing and Special Patient Care rate components shall be calculated as follows:

- 1. For those nursing facilities that are at or above 85 percent occupancy, the reasonable base period costs shall be divided by actual base period patient days.
- 2. For those nursing facilities that are below 85 percent occupancy, the reasonable base period costs shall be divided by 85 percent of licensed bed days.
- 3. Actual base period patient days shall include paid bed hold days.

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Supersedes TN 99-08-MA (NJ)
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(d) For new Class I and Class II facilities an occupancy rate of 80 percent will be used for provisional rates during the first year of operation subject to retroactive adjustments to actual occupancy should it exceed 80 percent (but no higher than 95 percent will be used).

(e) For new Class III NFs, an occupancy rate of 80 percent will be used for provisional rates during the first year of operation. The retroactive adjustment from an interim to an actual rate for the first year of operation shall use actual occupancy should it exceed 80 percent (but no higher than 95 or 90 percent will be used, as determined by (a) or (b) above).

(f) If base period patient days exceed licensed bed days calculated per (a) above, then the target occupancy will be entered at 95 percent of actual base period patient days.

3.17 Restricted funds

(a) Where donor restricted funds have been expended for operating purposes and, accordingly, have been reported as an expense recovery/elimination, the availability and use of such funds will not be taken into account in establishing rates to the extent that they produce actual unit costs below the median unit costs and NFs developed for determining reasonableness. (It should be noted that the availability or use of such funds will not be taken into account at all with respect to CFA calculations.)

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